

Message Text

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44

ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15

USIA-15 AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-04

OPIC-06 CIEP-02 LAB-04 SIL-01 OMB-01 /109 W

----- 103076

R 030523Z DEC 76

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 9427

INFO AMCONSUL BRISBANE

AMCONSUL MELBOURNE

OECD PARIS 1104

AMCONSUL PERTH

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

UNCLAS CANBERRA 8731

E.O. 11652: N/A

TAGS: EALR, EFIN, AS

SUBJ: TREASURER LIFTS AUSTRALIAN SAVINGS BOND INTEREST RATE TO
TEN PERCENT

1. ON DECEMBER 3 TREASURER LYNCH ANNOUNCED WIDELY PREDICATED
INCREASE OF INTEREST RATE ON AUSTRALIAN SAVINGS BONDS (ASB).
NEW ASB RATE IS TEN PCT, AN INCREASE OF 0.2 PCT. HE ALSO
CONFIRMED THAT COMMONWEALTH BOND INTEREST RATES ESTABLISHED
ON STOCK MARKET BY RESERVE BANK OF AUSTRALIA HAD BEEN ALTERED
UPWARDS. NEW RATES ARE: 9.9 PCT FOR TWO YEARS (UP 0.5 PCT);
10.4 PCT FOR TEN YEARS (UP 0.4 PCT); AND 10.5 PCT FOR
SECURITIES UP TO 20 YEARS (UP 0.3 PCT).

2. BUILDING SOCIETIES, WHICH NOW OFFER BETWEEN 0 PCT AND
9.75 PCT FOR DEPOSITS ARE EXPECTED TO BE THE FIRST FORCED TO
LIFT THEIR RATES; RESULTING IN HIGHER CHARGES ON HOME LOANS.
FINANCE COMPANIES AND BANKS ALSO WILL BE UNDER PRESSURE TO
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OFFER HIGHER BORROWING RATES AND ASK MORE FOR LOANS.

3. LYNCH ALSO SURPRISED FINANCE COMMUNITY BY ANNOUNCING THAT CONTRARY TO WIDESPREAD SPECULATION, THERE WAS NO RPT NO INTENTION HOLD A COMMONWEALTH LOAN IN DECEMBER.

4. COMMENT: FOR RATE OF ASB TO MOVE UP IN LINE WITH NEWLY ANNOUNCED TREASURY NOTE RATES, WOULD HAVE REQUIRED AN INCREASE OF 0.5 PCT TO 10.3 PCT AND MARKET APPARENTLY EXPECTED THIS RATE TO BE ANNOUNCED. EMBASSY UNDERSTANDS THAT GOVERNMENT DISINCLINATION OVERLY ANTAGONIZE MORTGAGE HOLDERS MADE IT SETTLE FOR 10 PCT. THERE ARE ALSO INDICATIONS THAT OPPOSITION TO HIGHER RATE ON PART OF CERTAIN STATE PREMIERS ON LOAN COUNCIL MAY HAVE INFLUENCED DECISION. IT REMAINS TO BE SEEN WHETHER SALES OF ASB AT NEW RATE WILL BE SUCCESSFUL, OR WHETHER GOVERNMENT SOON WILL BE FORCED TO INCREASE RATE TO THAT EXPECTED BY MARKET.
HARGROVE

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